

## Message Text

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ACTION AF-06

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FM AMCONSUL LUANDA

TO SECSTATE WASHDC 4241

INFO AMEMBASSY LISBON

AMEMBASSY KINSHASA

AMEMBASSY LUSAKA

AMEMBASSY PRETORIA

USCINCLANT

TO RUSNAAA/USCINCEUR

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E.O. 11652: N/A

TAGS: PINT PINS MILI ECON AO

SUBJECT: IMIAIH OF CIVIL WAR ON SOUTH-CENTRAL ECONOMY

FOLLOWING MESSAGE IS FROM NOVA LISBOA

1. QUOTE. SHORTAGES DUE TO THE CIVIL WAR TOGETHER  
WITH THE FLIGHT OF NON-BLACKS WITH THEIR  
ENTREPRENEURIAL, MANAGERIAL PROFESSIONAL AND TECHNICAL SKILLS  
ARE PARALYZING THE ECONOMY OF THE SOUTH-CENTRAL PART OF  
ANGOLA. LARGE AND MEDIUM-SIZED FARMS HAVE CEASED OR  
SHARPLY REDUCED OPERATIONS, ALL NEW CONSTRUCTION ACTIVITY  
WAS HALTED MANY WEEKS AGO, DISTRIBUTORS AND WAREHOUSES  
ARE CLOSED FOR BUSINESS MINING COMPANIES HAVE SHUT DOWN  
THE BANKING SYSTEM IS VIRTUALLY INOPERATIVE  
SO THERE IS NO CREDIT AND ACCOUNT WITHDRAWALS ARE LIMITED,  
AND COMMERCIAL ESTABLISHMENT ALL OVER THE CITY ARE SELLING  
OUT THEIR STOCK OR SIMPLY BEING CLOSED AS THEIR OWNERS RETURN  
TO PORTUGAL. A FEW PLANTS (1OUT OF OUR) HAVE BEEN KEPT

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IN PRODUCTION BY THEIR OWNERS BUT EVEN THESE OPERATE AT

SHARPLY REDUCED LEVELS. UNITA AND THE HUAMBO DISTRICT ADMINISTRATION ESTIMATE THE CIVILIAN, EMPLOYMENT LEVEL IN NOVA LISBOA AT 80 PERCENT.

2. GASOLINE, DIESEL FUEL BOTTLED GAS BEER BOTTLED OF SOFT DRINKS MOTOR OIL AND TOBACCO PRODUCTS ARE NOT AVAILABLE IN NOVA LISBOA TO THE GENERAL PUBLIC ALTHOUGH SOME OF THE ITEMS CAN BE PURCHASED ON THE BLACK MARKET AT EXORBITANT PRICES (100 ESCUDOS FOR A LITER OF GASOLINE OR A PACK OF CIGARETTES.) WHEAT FLOUR, PROCESSED WHEAT PRODUCTS SALT, SUGAR, COOKING OIL AND LAUNDRY SOAP ARE IN TIGHT SUPPLY. SOME KINDS OF CANNED FOODS ARE STILL READILY AVAILABLE WHILE OTHERS CAN NO LONGER BE FOUND. CHICKEN, SOME MEATS, LOCAL FRUITS, VEGETABLES AND ROOTS APPEAR TO BE IN AMPLY SUPPLY. SMALL ELECTRICAL APPLIANCES AND OTHER POPULAR CONSUMER MANUFACTURES HAVE DISAPPEARED FROM THE STORES AS EVACUEES CONVERTED THEIR ANGOLAN ESCUDOS INTO OTHER FORMS OF VALUE TO CARRY BACK TO PORTUGAL. ON THE OTHER SIDE, HEAVY CONSUMER MANUFACTURES SUCH AS FREEZERS AND NEW AUTOMOBILES CAN NOT BE SOLD AT A PRICE EVEN CLOSE TO THE COST TO THE DEALER. THERE IS NO MARKET AT ALL FOR SUCH MANUFACTURES AS PIPE, PLUMBING FIXTURES, HEAVY TOOLS ETC.

3. THE GENERAL EXPECTATION IN THE BUSINESS COMMUNITY HERE IS THAT THE ECONOMY WILL REVERT TO A PRIMITIVE BASIS EVEN BEFORE NOVEMBER 11 UNLESS THE CIVIL WAR ENDS. EVEN WERE THE PORTUGUESE BANKERS BUSINESSMEN TECHNICIANS TO RETURN TO NOVA LISBOA - WHICH WOULD NOT LIKELY DO SO LONG AS THE WAR CONTINUES - THE LACK OF FUEL, CREDIT SUPPLY OF MATERIALS AND SPARE PARTS AND OTHER ESSENTIALS AND THE CLOSING UP OF MARKETS IN OTHER PARTS OF THE COUNTRY WOULD RULE OUT ITS RESUMPTION OF MECHANIZED AGRICULTURAL OPERATIONS AND MANUFACTURING, PROCESSING, AND DISTRIBUTIONAL ACTIVITIES. THE ABSENCE OF EFFECTUAL DEMAND ASSOCIATED WITH ASTRONOMICAL UNEMPLOYMENT COMMERCIAL ACTIVITY AS IT HAS BEEN KNOWN EVEN IF NEW STOCK WAS NOT UNAVAILABLE.

4. THE UNITA LEADERSHIP IS, OF COURSE, AWARE THAT IT LIMITED OFFICIAL USE

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IS ABOUT TO INHERIT SEVERE ECONOMIC PROBLEMS ALTHOUGH I FEAR THAT IT MAY NOT YET PERCEIVE FULLY THE GREAT DIMENSIONS OF THOSE PROBLEMS. MY IMPRESSION, BASED ON LIMITED SOUNDINGS, IS THAT UNITA LEADERS HAVE NOT YET ANSWERED FOR THEMSELVES THE QUESTION OF HOW TO RUN A WAR AND FEED, CLOTHE AND PROVIDE OTHER BASIC NECESSITIES TO BOTH THE ARMY AND THE CIVILIAN POPULATION. THERE HAS BEEN SOME TALK OF ENCOURAGING THE OCCUPANCY OF ABANDONED FARMS,

REOPENING SMALL FOOD STORES AND CONTINUING FOOD PROCESSING OPERATIONS WITH THE EVENTUAL HOPE OF EXPORTING MEAT AND DAIRY PRODUCTS TO ZAMBIA AND ZAIRE. I SUSPECT THAT THERE IS ALSO A HOPE THAT THE RECAPTURE OF LOBITO AND REOPENING OF THE BENGUELA RAILWAY WOULD ALLEVIATE THE PROBLEMS SUFFICIENTLY TO MAKE THEM MANAGEABLE. AS A TWO WEEK EXPERT I DOUBT THIS WOULD BE THE CASE. KILDAY UNQUOTE.

KILLORAN

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